

PUBLIC DISCLOSURE

APRIL 1, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BROOKLINE MUNICIPAL CREDIT UNION

**334 WASHINGTON STREET
BROOKLINE, MA 02447**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its membership, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of BROOKLINE MUNICIPAL CREDIT UNION prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated “Satisfactory”

The credit union's average net loan-to-share ratio for the previous four semi-annual periods is 63.9 percent and meets the standards for satisfactory performance at this time. This indicates a willingness to return share deposits to its members in the form of credit.

An analysis of the credit union's lending activity by borrower income revealed that 25 percent of real estate loans and 67.4 percent of a sample of consumer loans were granted to low and moderate-income members. A satisfactory rating was granted for this criterion.

The credit union's fair lending performance is also considered to meet the standards of satisfactory performance.

When determining the overall rating, factors including the credit union's size, resources and staff limitations were considered.

PERFORMANCE CONTEXT

Description of Institution

Brookline Municipal Credit Union was chartered under the laws of the Commonwealth of Massachusetts in 1946. Its sole office is located at 334 Washington Street in Brookline, Massachusetts. The credit union was established to promote thrift among its members, who are employees of the Town of Brookline, and their families. This institution is considered to be an industrial credit union.

Brookline Municipal Credit Union offers a variety of credit products including personal loans, auto loans and real estate loans, including home improvement, home equity, first mortgage and second mortgage loans. Mortgage loans which involve terms longer than 25 years or exceed an 80 percent loan to value ratio, as well as First-time Homebuyer mortgages are referred to Allanach Mortgage Company.

As of December 31, 2001, the institution had total assets of \$24.5 million with total loans representing \$13.6 million or 55.5 percent of total assets. The credit union is predominantly a real estate lender with 67.3 percent of its loans consisting of first mortgages, 8.6 percent consisting of home equity loans, and 9.6 percent consisting of new auto loans.

The following table provides the break down of the credit union's loan portfolio:

Loan Type	Amount \$ (000's)	% of Total Loans
1 st Mortgage	9,139	67.3
New Auto	1,300	9.6
Home Equity and Home Improvements	1,174	8.6
Unsecured Lines of Credit	798	5.9
Used Auto	663	4.9
Unsecured Credit Cards	381	2.8
All Other	121	0.9
TOTAL	13,576	100%

The credit union has 7 full-time employees. Office hours are Monday through Friday 8:30 AM to 4:00 PM. There is an Automatic Teller Machine (ATM) located at the credit union's main office. The credit union is a member of the SUM network, and therefore does not charge ATM fees to users from member institutions. Additionally, the credit union's ATM cards are connected to the NYCE and Cirrus networks. The credit union provides members with check cashing ability, in addition to direct deposit for payroll checks and automatic payroll deduction for loan payments.

Other than its small asset size and limited resources, there appears to be no significant financial or legal impediment, which would limit the credit union's ability to help meet the credit needs of its membership.

The credit union was last examined for compliance with the Community Reinvestment Act by the Division of Banks on September 3, 1998. That examination resulted in a Satisfactory rating.

Description of Assessment Area (Membership)

According to the Massachusetts Community Reinvestment Act Regulation, 209 CMR 46.41, a credit union whose membership is not based on residence may delineate its membership as its assessment area.

The Brookline Municipal Credit Union's by-laws state: "Membership in this corporation is limited to those who are employees or retired employees of the Town of Brookline, employees of the credit union, and members of the families of all such persons. Five hundred other residents may become members, also." Currently, the credit union has approximately 2800 members.

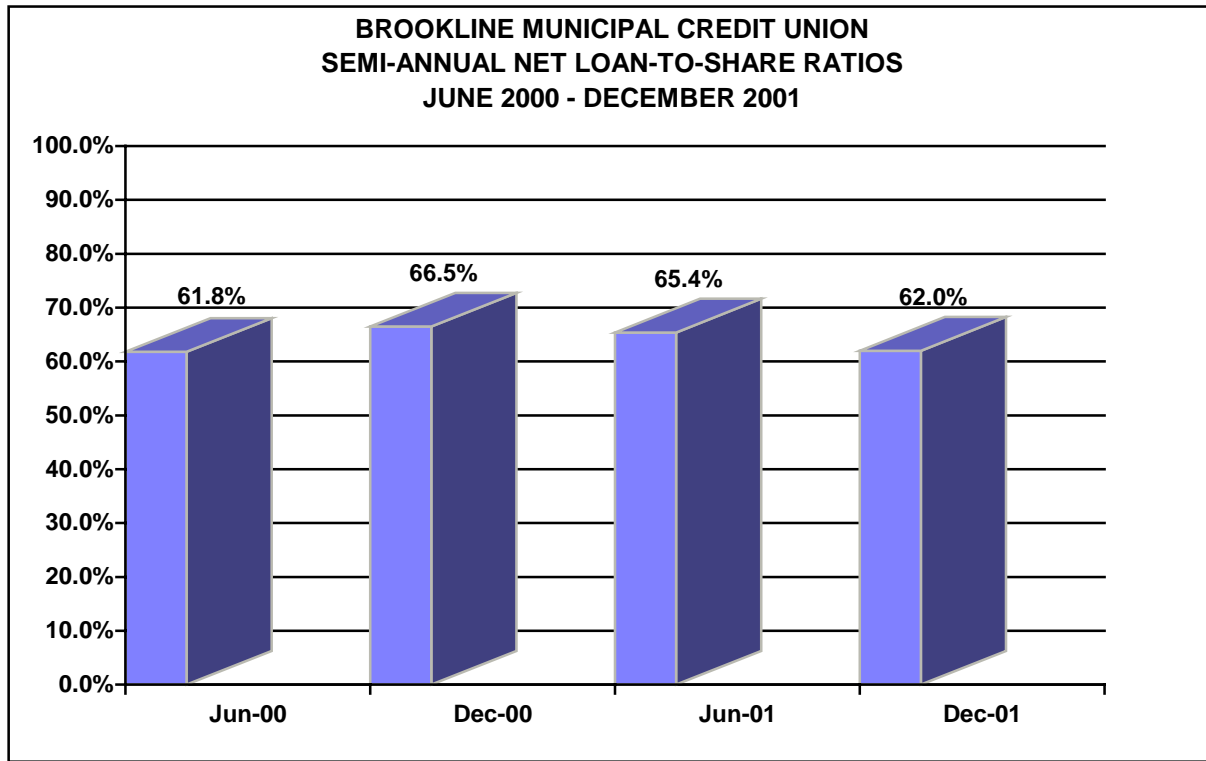
PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT (SHARE)

A review of Brookline Municipal Credit Union's net loan to share ratio was performed during the examination. The analysis included the latest four (semi-annual) periods and calculated the net loan to total share ratio, based upon data derived from the NCUA 5300 reports. This review included the periods ending June 30, 2000, through December 31, 2001.

The institution's average net loan to share ratio during this period was determined to be 63.9 percent which is reasonable given the credit union's asset size, resources, competition, lending strategy and the credit needs of its membership.

The following graph illustrates the loan to share trends.



Source: NCUA Call Reports

The net loan-to-share ratio has remained relatively steady over the period examined. The highest loan to share ratio occurred during the period ending 12/31/00 when the ratio was 66.5 percent. Since that time it has decreased to 62 percent as of 12/31/01. This decrease is primarily the result of increases in share balances, while loans remained stable. Overall the ratio appears to be reasonable given the credit union's scope of operation. Based on the above information, Brookline Municipal Credit Union's loan to share ratio meets the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA (S)

The Massachusetts CRA regulation, 209 CMR 46.41 allows a credit union whose membership is not based on geography, such as the Brookline Municipal Credit Union, to define its assessment area as its membership. Since Brookline Municipal Credit Union has elected to identify its assessment area in this manner, no review of geographic performance was conducted.

3. LENDING TO BORROWERS OF DIFFERENT INCOMES

Brookline Municipal Credit Union offers Home Improvement and Home Equity loans, as well as first and second mortgage real estate loans. Residential mortgage loans with loan to value ratios in excess of 80 percent and/or with terms longer than 25 years are not originated through the credit union. The credit union refers these loans and potential first-time homebuyers to Allanach Mortgage. Allanach Mortgage offers several first-time homebuyer products with flexible lending terms. During the current examination period, as a result of the credit union's referral, 2 loans totaling \$393,176 were originated in 2000 and 2 loans totaling \$530,000 were originated in 2001.

An analysis of all other real estate related loans extended during 2000 and 2001 among various income levels was conducted. Originations were categorized by the ratio of the applicant's reported income to the 2000 and 2001 estimated median family incomes of the Boston Metropolitan Statistical Areas (MSAs). The median family income for the Boston MSA was \$65,500 for 2000 and \$70,000 for 2001. Income figures were based on estimated 2000 and 2001 data from the Department of Housing and Urban Development (HUD).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as income between 50 to 79 percent of the median family income. Middle income is defined as income between 80 and 119 percent of the median family income. Upper income is defined as income greater than 120 percent of the median family income.

Over the period reviewed, the credit union extended 23 mortgage loans totaling \$2,470,500 in 2000 and 29 mortgage loans totaling \$3,243,100 in 2001. Of these loans, 1 or 1.9 percent was granted to a low-income member and 12 or 23.1 percent were granted to moderate-income members.

<i>Distribution of Real Estate Related Originations by Income of the Borrower By Number</i>						
Median Family Income Level	2000		2001		Total	
	#	%	#	%	#	%
Low	0	0.0	1	3.4	1	1.9
Moderate	4	17.4	8	27.6	12	23.1
Middle	8	34.8	10	34.5	18	34.6
Upper	11	47.8	10	34.5	21	40.4
Total	23	100%	29	100%	52	100%

Source: In house files

The total dollar amount of residential loans was also reviewed. The credit union made 1 loan in the amount of \$35,100, representing 0.6 percent of the total dollar amount of loans

to low-income borrowers. Moderate-income borrowers received \$1,013,000 or 17.7 percent of all loans. Loans to middle-income borrowers totaled \$2,101,000 or 36.8 percent, while loans to upper-income borrowers represented the greatest share with \$2,564,500 or 44.9 percent of all loans. Refer to the table below.

<i>Distribution of Real Estate Loans by Income of the Borrower By Dollar Amount</i>						
Median Family Income Level	2000		2001		Total	
	\$	%	\$	%	\$	%
Low	0.00	0.0	35,100	1.1	35,100	0.6
Moderate	270,500	10.9	742,500	22.9	1,013,000	17.7
Middle	796,000	32.2	1,305,000	40.2	2,101,000	36.8
Upper	1,404,000	56.8	1,160,500	35.8	2,564,500	44.9
Total	2,470,500	100	3,243,100	100	5,713,600	100

Consumer loans were also reviewed for income distribution. A sample of 50 consumer loans totaling \$454,044 was reviewed. The analysis indicates that 26.0 percent of the loans were granted to low-income members and 42.0 percent were granted to moderate-income members.

Consumer Loans by Income of Borrower by Number

Median Family Income Level	2000		2001		TOTAL	
	#	%	#	%	#	%
<50%	9	36.0	4	16.0	13	26.0
50% - 79%	8	32.0	13	52.0	21	42.0
80% - 119%	5	20.0	5	20.0	10	20.0
120%>	3	12.0	3	12.0	6	12.0
TOTAL	25	100%	25	100%	50	100%

Source: In-house files

The total dollar amount of consumer loans was also reviewed. Refer to the table below.

Consumer Loans by Income of Borrower by Dollar Amount

Median Family Income Level	2000		2001		TOTAL	
	\$	%	\$	%	\$	%
<50%	69,408	39.8	34,650	12.4	104,058	22.9
50% - 79%	34,838	20.1	128,825	46.0	163,663	36.1
80% - 119%	37,345	21.4	45,765	16.4	83,110	18.3
120%>	32,636	18.7	70,577	25.2	103,213	22.7
TOTAL	174,227	100	279,817	100	450,044	100

As indicated above, moderate-income borrowers received the greatest proportion of loans with \$163,663 or 36.1 percent of total dollars. This was followed by low-income borrowers who received \$104,058 in loans or 22.9 percent of the total dollar amount.

It should be noted that consumer loans typically consider the income of only one borrower while the above comparison is based on median family income. This has the tendency to somewhat skew the data towards low and moderate-income categories. Nevertheless, the distribution of consumer loans demonstrates the credit union's willingness to lend to members of all income levels.

The distribution of mortgage credit, as well as consumer credit among credit union members reflects a good dispersion among individuals of different income levels, including those of low and moderate-income. Thus, the credit union is deemed to meet the standards for satisfactory performance in this category.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

Because Brookline Municipal Credit Union defines its membership according to affiliation, rather than residence, its assessment area is defined by its membership. Consequently, no evaluation of geographic performance factors was conducted.

5. REVIEW OF COMPLAINTS/ FAIR LENDING POLICIES AND PRACTICES

Brookline Municipal Credit Union has not received any complaints related to its CRA performance since the previous examination.

The credit union maintains a formal Fair Lending Policy. The credit union's fair lending policies and practices were reviewed to determine how they relate to the guidelines set

forth in Regulatory Bulletin 2.3-101, the Division of Bank's Community Reinvestment and Fair Lending Policy.

The credit union's marketing activity includes bulletin board postings, lobby brochures, statement stuffers, and a quarterly newsletter, "Brookline Municipal Credit Union News" which keeps its membership up-to-date on products and services.

A credit union director serves as a board member for the Brookline Housing Authority, which provides affordable housing in the Town of Brookline. The credit union provides a second level of review for all denied applications.

MINORITY APPLICATION FLOW

Due to its size, Brookline Municipal Credit Union is not a reporter under the Home Mortgage Disclosure Act. (HMDA). It has not collected aggregate racial data on originated mortgages; therefore no analysis was performed.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

BROOKLINE MUNICIPAL CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **APRIL 1, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at "(Address at main office)"."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.